

THATCHER

HOME OF EASTERN ARIZONA COLLEGE

TOWN COUNCIL TOWN OF THATCHER

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TOWN COUNCIL

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November 20, 2002

Mr. J. Tyler Carlson
Western Area Power Administration
Desert Southwest Regional Manager
PO Box 6457
Phoenix, AZ 85005-6457

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Dear Mr. Carlson:

The Town of Thatcher offers the following comments on the proposal of the Western Area Power Administration ("Western") to re-market power from the Parker-Davis Project ("Project"), as published in the Federal Register, Volume 67, Number 153 on Thursday, August 8, 2002. The Town of Thatcher ("Town") is a political subdivision of the State of Arizona. It is one of the State's oldest municipal providers of electricity. The Town has an allocation of Parker-Davis power and needs it undiminished.

It is my understanding that existing customers like the Town of Thatcher would receive 94 percent of their current allocations for 20 years and that the remaining six percent will be set-aside for new customers. The Town of Thatcher believes that this proposal should be modified to recognize the impact of the loss of Parker-Davis power on small utilities. The Town's long-term objectives include continuing to provide low cost, reliable energy to our customers. The Town also tries to provide long-term stability in electric power rates. Parker-Davis power is an important part of the plan to continue to accomplish these objectives.

Thatcher is a town whose electric utility serves about 3000 customers within its Town Limits. The Town of Thatcher's allocation of Parker-Davis power is approximately ten percent of our total summer resource portfolio. Therefore, it is a relatively significant part of the Town's total resources, and is critical to our ability to maintain affordable electric rates.

We believe that 20-year agreements for the sale and purchase of energy from the Parker-Davis power will provide important stability for our electric rates and for our local and regional economy. Consumers in the Southwest United States have experienced significant economic hardship as a result of the recent volatility in the western electricity markets.

The six percent withdrawal from small current Parker-Davis allottees such as Thatcher, Mesa, Safford, Wickenburg and Fredonia will add very little to the pool available to new preference customers, but will have a significant impact on the power costs of these entities. As you know we have already given up preference power to create a pool of power for new preference customers in order to receive contract extensions on other Western Power contracts.

Thatcher supports the expansion of the sale of Parker-Davis power to eligible preference customers, but requests your consideration for keeping small Parker-Davis customers whole by not requiring them to relinquish six percent of their allocations. As well, the minimum allocation to new preference customers should be extended to all preference customers, new and old, and be at least 1 megawatt.

If you have any questions please do not hesitate to let contact me.

Sincerely,

Terry Hinton
Town Manager